

**TESTIMONY OF CHARLES C. MADDOX, ESQ.,  
INSPECTOR GENERAL, BEFORE THE D.C. COUNCIL  
COMMITTEE ON GOVERNMENT OPERATIONS**

**FISCAL YEAR 2002 PERFORMANCE REVIEW**

**MARCH 7, 2003**

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GOOD AFTERNOON CHAIRPERSON ORANGE AND MEMBERS OF THE COMMITTEE. SEATED WITH ME ARE BILL DIVELLO, THE ASSISTANT IG FOR AUDITS; ROBERT ANDARY, ASSISTANT IG FOR THE INVESTIGATIONS DIVISION; AL WRIGHT, ASSISTANT IG FOR THE INSPECTIONS AND EVALUATIONS DIVISION; AND SID ROCKE, DIRECTOR OF THE MEDICAID FRAUD CONTROL UNIT.

I AM PLEASED TO TESTIFY REGARDING OUR PERFORMANCE REPORT FOR FISCAL YEAR (FY) 2002, WHICH COVERS OUR OFFICE'S STATISTICAL ACCOMPLISHMENTS IN FY 2002 AND THE FIRST QUARTER OF FY 2003. IN SO DOING, I WOULD LIKE TO HIGHLIGHT ONGOING EFFORTS IN TWO IMPORTANT AREAS THAT I BELIEVE WILL ENSURE CONTINUOUS IMPROVEMENT OF OIG OPERATIONS. FIRST, WE HAVE IMPLEMENTED A PEER REVIEW PROCESS THAT WILL BE COMPLETED WITHIN THE NEXT FEW MONTHS IN ALL FOUR DIVISIONS. SECOND, WE HAVE ESTABLISHED NEW AND, IN SOME CASES, ADJUSTED PERFORMANCE MEASURES THAT RELATE TO OUR CORE MISSION STATEMENT. TAKEN TOGETHER, THESE MANAGEMENT TOOLS ARE ENABLING US TO CONDUCT STRATEGIC PLANNING THAT WILL MAXIMIZE USE OF OUR LIMITED RESOURCES IN ORDER TO IMPROVE DISTRICT GOVERNMENT SERVICES.

**THE PEER REVIEW PROCESS**

IN APRIL 2000, WHEN THE OFFICE OF THE INSPECTOR GENERAL POWERS AND DUTIES AMENDMENT ACT OF 1999 (D.C. LAW 13-71) BECAME EFFECTIVE, THE OIG'S ENABLING STATUTE WAS AMENDED TO REFLECT THE REQUIREMENT

THAT A PEER REVIEW BE CONDUCTED OF THE OIG'S AUDIT, INSPECTION AND INVESTIGATIONS DIVISIONS' STANDARDS, POLICIES, PROCEDURES, OPERATIONS AND QUALITY CONTROLS. BY LAW, THESE REVIEWS MUST BE CONDUCTED BY AN ENTITY NOT AFFILIATED WITH THE OIG. I AM PLEASED TO SAY THAT WE ARE AGGRESSIVELY PURSUING THIS GOAL, AND I WOULD LIKE TO BRIEFLY DESCRIBE OUR PROGRESS IN ALL FOUR DIVISIONS.

#### AUDIT DIVISION

THE OIG JOINED THE NATIONAL ASSOCIATION OF LOCAL GOVERNMENT AUDITORS (NALGA), ONE OF THE PROFESSIONAL ORGANIZATIONS THAT MEETS THE REQUIREMENTS FOR PERFORMING OUR EXTERNAL QUALITY CONTROL REVIEW. WE COMPLETED OUR FIRST PEER REVIEW IN FEBRUARY OF 2003. I AM PLEASED TO REPORT THAT THE OIG AUDIT DIVISION RECEIVED AN UNQUALIFIED OPINION IN ITS FIRST PEER REVIEW. NALGA REPORTED THAT THE OIG AUDIT DIVISION WAS IN COMPLIANCE WITH GOVERNMENT AUDITING STANDARDS DURING THE PERIOD JANUARY 1, 2002, THROUGH DECEMBER 31, 2002.

#### INVESTIGATIONS DIVISION/INSPECTIONS AND EVALUATIONS DIVISION

WE HAVE ENGAGED THE IG OF THE CITY OF PHILADELPHIA TO UNDERTAKE A PEER REVIEW OF OUR INVESTIGATIONS AND I & E DIVISION'S BEGINNING IN EARLY APRIL. BECAUSE THERE ARE NO STANDARDS FOR STATE AND LOCAL PEER REVIEWS FOR INVESTIGATIONS OR INSPECTIONS DIVISIONS, OUR REVIEW WILL BE CONDUCTED UNDER GUIDELINES SIMILAR TO THOSE DEVELOPED BY THE FEDERAL INSPECTORS GENERAL AND RECENTLY ISSUED BY THE PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE).

## MFCU

ALTHOUGH NOT FORMALLY SUBJECT TO THE PEER REVIEW PROCESS, THE MFCU IS SUBJECT TO INDEPENDENT OVERSIGHT THAT IS IN SOME WAYS THE FUNCTIONAL EQUIVALENT OF A PEER REVIEW AND IN OTHER WAYS IS EVEN MORE RIGOROUS. THE UNIT IS ONE OF 48 CERTIFIED MEDICAID FRAUD CONTROL UNITS NATIONWIDE. AS A CERTIFIED UNIT, THE MFCU RECEIVES 75 PERCENT OF ITS FUNDING IN THE FORM OF A GRANT FROM THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, OFFICE OF INSPECTOR GENERAL. IN ORDER TO REMAIN ELIGIBLE FOR THESE YEARLY GRANTS, THE UNIT MUST CONFORM TO A NUMBER OF FEDERAL REQUIREMENTS DESCRIBED IN THE CODE OF FEDERAL REGULATIONS. IN ADDITION TO COMPLYING WITH ALL MANDATORY FEDERAL STANDARDS, THE UNIT MUST PROVIDE QUARTERLY AND ANNUAL STATISTICAL REPORTS DEMONSTRATING ITS CONTINUED PRODUCTIVITY AND A SIGNIFICANT RETURN ON THE INVESTMENT IN FEDERAL AND DISTRICT TAX DOLLARS. FURTHERMORE, THE MFCU IS CURRENTLY IN THE MIDST OF AN INSPECTION OF ALL OF ITS POLICIES AND PROCESSES BY THE FEDERAL HHS/OIG.

## PRIORITY AREAS

BEFORE DISCUSSING SPECIFIC DETAILS ABOUT OUR PERFORMANCE MEASURES, I WOULD LIKE TO HIGHLIGHT JUST A FEW EXAMPLES OF THE IMPACT WE ARE MAKING ON PRIORITY AREAS:

- FOR FY 2002, WE ISSUED 36 AUDIT REPORTS WITH POTENTIAL MONETARY BENEFITS OF \$40.5 MILLION. THESE BENEFITS COMPARE TO AUDIT DIVISION COSTS OF ABOUT \$2.8 MILLION. THIS WOULD MAKE THE RETURN ON INVESTMENT FOR AUDITS PERFORMED BY OIG AUDIT STAFF TO BE APPROXIMATELY \$14 FOR EACH DOLLAR INVESTED.

- OUR INSPECTORS CONTINUE TO MAKE DOZENS OF RECOMMENDATIONS DURING EACH INSPECTION AIMED AT IMPROVING EFFICIENCY, REDUCING RISK, AND PROTECTING EMPLOYEES AND CITIZENS FROM HEALTH AND SAFETY VIOLATIONS. INSPECTIONS IN FY 2002 AND THUS FAR IN 2003, FOR EXAMPLE, HAVE TARGETED EMERGENCY COMMUNICATIONS EQUIPMENT AND DRIVER SAFETY IN DPW, SERIOUS AND REPEATED HEALTH VIOLATIONS IN THE DC JAIL, AND A FAILURE TO MEET NATIONAL RESPONSE TIME STANDARDS BY FEMS.
- IN THE LAST FISCAL YEAR OUR INVESTIGATIONS RESULTED IN 27 CASES ACCEPTED FOR PROSECUTION BY THE OFFICE OF THE UNITED STATES ATTORNEY. OUR CASES RESULTED IN 18 INDICTMENTS AND 16 CRIMINAL CONVICTIONS DURING THE FISCAL YEAR, AS WELL AS OVER \$700 THOUSAND IN RESTITUTION AND RECOVERIES, AND OVER \$200 THOUSAND IN ASSET SEIZURES.
- IN FY 2002 THE MEDICAID FRAUD CONTROL UNIT WAS CREDITED WITH RECOVERIES OF APPROXIMATELY \$361,000. WE ANTICIPATE THAT IN FY 2002 – AS WELL AS THOSE THAT ARE CURRENTLY ONGOING - WILL RESULT IN SUBSTANTIAL FUTURE RECOVERIES. IN FACT, WE ARE CURRENTLY IN THE LAST STAGES OF RESOLVING AN INVESTIGATION THAT WE BELIEVE WILL RESULT IN A RECOVERY SEVERAL TIMES GREATER THAN FY 2002’S TARGET RECOVERY FIGURE OF \$1.5 MILLION. OF COURSE, THE TIMING OF RECOVERIES IS VERY DIFFICULT TO PREDICT SINCE IT IS DEPENDENT ON A NUMBER OF FACTORS, INCLUDING THE PACE OF LITIGATION, THAT ARE NOT COMPLETELY WITHIN OUR CONTROL.

## AUDIT DIVISION

AS YOU KNOW AUDITS INCLUDE BOTH PERFORMANCE AND FINANCIAL AUDITS. PERFORMANCE AUDITS ARE SYSTEMATIC EVALUATIONS OF FUNCTIONS, PROGRAMS, AND ACTIVITIES. THE PURPOSES OF THESE AUDITS ARE TO IMPROVE ACCOUNTABILITY AND TO FACILITATE EFFECTIVE DECISION MAKING. FINANCIAL AUDITS ASSESS WHETHER THE FINANCIAL STATEMENTS OF AN ENTITY FAIRLY PRESENT THE FINANCIAL POSITION OF THAT ENTITY IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. IN ADDITION, THE AUDIT DIVISION OVERSEES CERTAIN AUDITS, PERFORMED BY CONTRACT, OF DISTRICT GOVERNMENT AGENCIES, PROGRAMS, AND OPERATIONS, SUCH AS THE COMPREHENSIVE ANNUAL FINANCIAL REPORT.

## AUDIT PERFORMANCE MEASURES

IN ORDER TO MEASURE OUR PERFORMANCE, WE CURRENTLY REPORT ON THE NUMBER OF REPORTS ISSUED, DISTRICT AGENCY COVERAGE, AND THE ASSOCIATED POTENTIAL MONETARY BENEFITS FOR THE AUDIT REPORTS ISSUED.

A GOOD EXAMPLE OF POTENTIAL MONETARY BENEFITS WAS REPORTED IN OUR AUDIT OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (DHCD). MY AUDITORS FOUND THAT THE HOUSING FINANCE ADMINISTRATION DID NOT INVEST HOME INVESTMENTS PARTNERSHIP ACT (HOME) FUNDS IN A MANNER THAT MAXIMIZED THE USE OF PRIVATE SECTOR FINANCING TO HELP FINANCE MORTGAGE LOANS FOR DISTRICT OF COLUMBIA RESIDENTS. AS A RESULT, THE DISTRICT LOST THE OPPORTUNITY TO OBTAIN AS MUCH AS \$32.2 MILLION IN PRIVATE SECTOR FINANCING TO INVEST IN MORTGAGE LOANS FOR DISTRICT OF COLUMBIA RESIDENTS. BASED ON OUR AUDIT RESULTS, MANAGEMENT AGREED TO REASSESS THE HOME PROGRAM AND DEVELOP CITYWIDE POLICIES AND STRATEGIES TO MAXIMIZE THE USE AND

EFFECTIVENESS OF FINANCIAL RESOURCES. THE RESULTS OF THIS ASSESSMENT WILL BE INCORPORATED INTO A CONSOLIDATED PLAN FOR THE DISTRICT.

OUR FY 2002 AUDITS INCLUDED COVERAGE AT 24 DISTRICT AGENCIES AND FOCUSED ON A BROAD RANGE OF ISSUES. OUR AUDITS ADDRESSED SUCH ISSUES AS THE DISTRICT'S PAYROLL CONVERSION PROCESS AND HEALTH BENEFITS ENROLLMENT PROCESS, PATIENT ACCOUNTS AND USE OF CELLULAR TELEPHONES AT THE DEPARTMENT OF MENTAL HEALTH, AND PROCUREMENT ACTIVITIES AT THE OFFICE OF CONTRACT AND PROCUREMENT AND THE WASHINGTON CONVENTION CENTER.

IN ADDITION TO THE ABOVE PERFORMANCE MEASURES, WE DEVELOPED AN AUDIT RECOMMENDATION TRACKING SYSTEM SO THAT WE CAN TRACK THE PROGRESS OF CORRECTIVE ACTIONS. THE COMPTROLLER GENERAL'S GOVERNMENT AUDITING STANDARDS EMPHASIZE THE IMPORTANCE OF FOLLOW-UP ON SIGNIFICANT FINDINGS AND RECOMMENDATIONS FROM PRIOR AUDITS TO DETERMINE IF CORRECTIVE ACTIONS HAVE BEEN IMPLEMENTED. WE ALL KNOW THAT AUDIT RECOMMENDATIONS DO NOT PRODUCE THE DESIRED OUTCOMES UNLESS THEY ARE IMPLEMENTED. IN THIS REGARD, WE ADDED A PERFORMANCE STANDARD TO MEASURE THE PERCENTAGE OF AUDIT RECOMMENDATIONS IMPLEMENTED. WE HAVE ALSO ADDED THIS STANDARD FOR THE INSPECTIONS DIVISION, TO TAKE EFFECT IN FY 2004. WE BELIEVE STRONGLY THAT THIS WILL BE A VALID MEASURE OF OUR WORTH BECAUSE IT IS AN OUTCOME MEASURE.

TO ESTABLISH THE NEW STANDARD FOR AUDITS, WE COMPLETED A DISTRICT-WIDE AUDIT OF AGENCIES' IMPLEMENTATION OF RECOMMENDATIONS FROM PREVIOUS AUDIT REPORTS. THE RESULTS OF THIS AUDIT ESTABLISHED A PERFORMANCE BASELINE. WE FOUND THAT ABOUT 80 PERCENT OF OUR REPORT RECOMMENDATIONS WERE SUCCESSFULLY IMPLEMENTED BY DISTRICT

AGENCY MANAGEMENT. WE PLAN TO CONDUCT THIS COMPLIANCE REVIEW EVERY THREE YEARS.

ALTHOUGH WE EXCEEDED EXPECTATIONS FOR PROMOTING ECONOMY, EFFICIENCY, AND EFFECTIVENESS AND IMPROVING FINANCIAL MANAGEMENT, WE PRODUCED FEWER MANAGEMENT REPORTS THAN WERE TARGETED FOR FY 2002. WE ADJUSTED THE TARGETS FOR FY 2003 AND 2004 (FROM 21 TO 13 AND 23 TO 14, RESPECTIVELY) BECAUSE EXPERIENCE SHOWED THAT MANAGEMENT ALERT REPORTS AND MANAGEMENT IMPLICATION REPORTS WERE NOT NEEDED AS MUCH AS EXPECTED. DURING FY 2002, WE BEGAN TO PHASE OUR AUDITS SO THAT WE COULD IDENTIFY ISSUES MORE PROMPTLY AND REGULARLY TO AGENCY HEADS FOR IMMEDIATE ACTION. FOR THE SAME REASON, WE ALSO INCREASED THE FREQUENCY OF OUR ORAL COMMUNICATIONS WITH THE EXECUTIVE BRANCH WHILE AUDITS WERE ONGOING. CONSEQUENTLY, THE NEED FOR THESE URGENT PUBLISHED REPORTS DIMINISHED SIGNIFICANTLY. NONETHELESS, WHEN URGENCY IS WARRANTED, WE WILL ISSUE MANAGEMENT REPORTS.

#### COMPLETION OF THE ANNUAL FINANCIAL AUDIT

AS YOU KNOW, IN AUGUST 2002, WE EXECUTED THE SECOND OPTION OF OUR FY 2000 CONTRACT WITH THE ACCOUNTING FIRM OF KPMG, LLP, TO PERFORM A FINANCIAL STATEMENT AUDIT OF THE DISTRICT'S FY 2002 (CAFR). THE AUDIT REPORTED AN UNQUALIFIED OPINION, MEANING THAT THE DISTRICT'S GENERAL-PURPOSE FINANCIAL STATEMENTS WERE FAIRLY PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. WITH THE ISSUANCE OF THE FY 2002 CAFR, THE CITY HAS RECEIVED ITS SIXTH CONSECUTIVE UNQUALIFIED OPINION ON ITS FINANCIAL STATEMENTS.

AS CHAIR OF THE CAFR OVERSIGHT COMMITTEE, WE CONTINUE TO OVERSEE PROGRESS OF THE AUDIT AND TO ADDRESS ANY ISSUES THAT MAY ARISE FROM

THE AUDIT OR MAY PREVENT THE AUDIT FROM BEING COMPLETED TIMELY. THE COMMITTEE'S PURPOSES INCLUDE: 1) MONITORING THE RELIABILITY AND INTEGRITY OF THE CFO'S FINANCIAL REPORTING PROCESS AND SYSTEMS OF INTERNAL CONTROLS REGARDING FINANCE, ACCOUNTING, AND LEGAL COMPLIANCE; 2) MONITORING THE INDEPENDENCE AND PERFORMANCE OF THE DISTRICT'S INDEPENDENT AUDITORS (AUDITORS); AND 3) PROVIDING AN OPEN AVENUE OF COMMUNICATION AMONG THE AUDITORS, COUNCIL OF THE DISTRICT OF COLUMBIA (COUNCIL), CFO, AND OTHER DISTRICT MANAGEMENT OFFICIALS.

#### STATUS OF ACTIVITIES

THUS FAR IN FY 2003, WE HAVE ISSUED 7 FINAL AUDIT REPORTS AND 2 MANAGEMENT IMPLICATION REPORTS THAT HAVE IDENTIFIED OVER \$11 MILLION IN POTENTIAL MONETARY BENEFITS. WE HAVE 29 AUDITS IN PROCESS, INCLUDING 7 AUDITS THAT ARE IN THE DRAFT REPORT STAGE.

#### INSPECTIONS AND EVALUATIONS DIVISION

AS YOU KNOW, OUR INSPECTIONS ARE SOMETIMES MISTAKENLY DESCRIBED AS "AUDITS" BECAUSE THE TERM AUDIT IS MORE FAMILIAR TO MANY PEOPLE. HOWEVER, WHERE AUDITS TEND TO TAKE A HIGHLY FOCUSED, IN-DEPTH LOOK AT SPECIFIC FINANCIAL, PROGRAMMATIC, AND PERFORMANCE ISSUES, INSPECTIONS USUALLY HAVE THE BROADER SCOPE OF AN ENTIRE AGENCY. IN PARTICULAR, INSPECTIONS PROVIDE HIGHLY DETAILED EVALUATIONS OF ALL MAJOR AGENCY OPERATIONS ALONG THE LINES OF MANAGEMENT STUDIES DONE BY THE FEDERAL GENERAL ACCOUNTING OFFICE AND PRIVATE COMPANIES SUCH AS PRICE WATERHOUSE COOPERS. IN ADDITION FINDINGS DEVELOPED DURING INSPECTIONS ALSO MAY LEAD TO RECOMMENDATIONS FOR INVESTIGATIONS OR AUDITS.



ON AVERAGE, OUR INSPECTIONS AND EVALUATIONS DIVISION CONTINUES TO COMPLETE AN INSPECTION OF A DISTRICT AGENCY APPROXIMATELY EVERY FOUR MONTHS. NOW THAT THIS DIVISION HAS OPERATED FOR THREE FULL YEARS, WE HAVE FULL CAPABILITY TO CONDUCT BROADSCALE ASSESSMENTS OF AGENCIES THAT HAVE CRITICAL SERVICE DELIVERY RESPONSIBILITIES.

#### INSPECTION PERFORMANCE MEASURES

SINCE THE LAST REPORT ON OUR PERFORMANCE, THE DIVISION HAS INSPECTED AND ISSUED REPORTS ON THE PARKING SERVICES ADMINISTRATION IN THE DEPARTMENT OF PUBLIC WORKS, THE DEPARTMENT OF CORRECTIONS, THE FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT, AND THE HEALTH REGULATION ADMINISTRATION IN THE DEPARTMENT OF HEALTH.

EACH OF OUR INSPECTIONS HAS HELPED AGENCY HEADS IDENTIFY AND SEEK SOLUTIONS TO OPERATIONAL AND ADMINISTRATIVE PROBLEMS THAT HAVE KEPT THEM FROM FUNCTIONING AT THE FULL-PERFORMANCE LEVEL DESIRED BY THE PUBLIC. FOR EXAMPLE, DURING FY2002, THE INSPECTIONS DIVISION ISSUED MANAGEMENT ALERT REPORTS THAT CITED SIGNIFICANT OPERATIONAL PROBLEMS DIRECTLY AFFECTING HEALTH AND SAFETY AND SERVICE DELIVERY TO DISTRICT CITIZENS. WE INFORMED THE DEPARTMENT OF HEALTH THAT X-RAY MACHINES IN THE DISTRICT WERE NOT BEING INSPECTED IN ACCORDANCE WITH DISTRICT LAW AND ITS OWN INSPECTION POLICY. WE ALSO ISSUED A REPORT INFORMING DOH THAT CONTRARY TO DISTRICT LAW, OPERATORS OF CHILD CARE FACILITIES AND THEIR WORKERS ARE BEING LICENSED WITHOUT FIRST UNDERGOING CRIMINAL BACKGROUND CHECKS. IN ANOTHER REPORT, WE NOTED THAT DOH WAS NOT SUFFICIENTLY STAFFED TO PROPERLY INSPECT CITY PHARMACIES AND FACILITIES THAT PRODUCE HAZARDOUS WASTE MATERIALS. A REPORT TO THE FIRE AND EMERGENCY MANAGEMENT SERVICES DEPARTMENT CITED THAT AGENCY FOR OPERATING AMBULANCES THAT HAD NOT BEEN INSPECTED AND LICENSED IN LINE WITH DISTRICT REGULATIONS.

IN THIS FISCAL YEAR, WE HAVE ALERTED DOH TO SIGNIFICANT ENVIRONMENTAL PROBLEMS AT ITS DETOXIFICATION CENTER ON THE DC GENERAL HOSPITAL CAMPUS. EACH OF OUR INSPECTIONS IS DESIGNED TO IDENTIFY SUCH PROBLEMS AND TO QUICKLY ALERT AGENCY MANAGERS SO THEY CAN TAKE CORRECTIVE ACTION EXPEDITIOUSLY.

WE HAVE DETERMINED THAT THE COST OF OUR INSPECTIONS IS CONSIDERABLY LESS THAN FEES CHARGED BY CONTRACTORS FOR SIMILAR WORK. FOR EXAMPLE, THE COST FOR THE PARKING SERVICES ADMINISTRATION INSPECTION COMPLETED IN FY 2002 TOTALED \$11,330. THE COST TO THE CITY FOR A CONTRACTOR TO PERFORM A COMPARABLE MANAGEMENT STUDY WOULD BE APPROXIMATELY \$ 33,000. EVEN MORE IMPORTANT, OUR DETAILED INSPECTIONS AND EVALUATIONS GIVE AN AGENCY'S MANAGEMENT A BLUEPRINT FOR IMPROVING PROBLEM OPERATIONS AND ACHIEVING LONG-TERM BENEFITS.

ALTHOUGH WE MET OUR TARGET FOR THE NUMBER OF PREPARED MANAGEMENT REPORTS, WE DID NOT MEET OUR TARGETS FOR PREPARED INSPECTION REPORTS OR FOLLOWUP REPORTS. DURING FY2002, WE ASSIGNED OUR ENTIRE STAFF OF INSPECTORS TO AN INSPECTION OF THE DEPARTMENT OF HEALTH (DOH), WHICH HAS SEVEN ADMINISTRATIONS AND IS ONE OF THE CITY'S LARGEST AGENCIES. UNFORTUNATELY, HOWEVER, DURING THE COURSE OF THAT INSPECTION, WE LOST THE SERVICES OF ALMOST HALF OF THIS SMALL DIVISION DUE TO A VARIETY OF UNEXPECTED PERSONNEL CHANGES AND ILLNESS. THESE LOSSES PREVENTED US FROM PRODUCING SEVEN PLANNED REPORTS FROM THIS INSPECTION IN OUR USUAL TIMELY FASHION. ALTHOUGH WE NOW HAVE COMPLETED MOST OF OUR INSPECTION ACTIVITIES AT DOH, THE REDUCED OUTPUT IS REFLECTED IN OUR FY 2002 STATISTICS. NOW THAT OUR STAFFING LEVEL IS BEGINNING TO IMPROVE, WE ARE OPTIMISTIC THAT THE DIVISION WILL REACH ITS FUTURE GOALS IN ALL PERFORMANCE AREAS.

AS YOU KNOW, WE LAUNCHED A NEW INITIATIVE TO REINSPECT AGENCIES SO THAT WE CAN EVALUATE AND REPORT ON WHETHER OR NOT THEY ARE COMPLYING WITH OIG RECOMMENDATIONS. WE ADJUSTED TARGETS FOR CONDUCTING RE-INSPECTIONS IN FY 03 AND 04 BECAUSE WE UNDERESTIMATED THE AMOUNT OF TIME AGENCIES NEEDED TO IMPLEMENT OUR RECOMMENDATIONS SO THAT OUR RE-INSPECTIONS WOULD BE MEANINGFUL. BASED ON OUR ONGOING CONTACTS WITH INSPECTED AGENCIES, WE ARE OPTIMISTIC THAT WE CAN NOW PLAN OUR RE-INSPECTIONS MORE REALISTICALLY.

#### STATUS OF CURRENT ACTIVITIES

THUS FAR THIS FISCAL YEAR, WE HAVE PUBLISHED AND DISSEMINATED SIX REPORTS (INCLUDING THREE MANAGEMENT ALERT REPORTS), AND WE HAVE 10 REPORTS CURRENTLY UNDER REVIEW. ALSO IN THIS FISCAL YEAR, WE RECENTLY FINISHED RE-INSPECTING THE DEPARTMENT OF MOTOR VEHICLES AND THE MEDICAL ASSISTANCE ADMINISTRATION. WITHIN THE NEXT SEVERAL MONTHS, WE EXPECT TO ISSUE REPORTS ON THESE AGENCIES, ON OUR CURRENT INSPECTIONS OF OTHER DEPARTMENT OF HEALTH ADMINISTRATIONS, AND ON OUR INSPECTION OF THE OFFICE OF THE CHIEF MEDICAL EXAMINER. IN ADDITION, DURING THE REMAINDER OF FY 2003, WE PLAN TO COMPLETE THREE FOLLOW-UP INSPECTION REPORTS, AND TO CONDUCT A NEW INSPECTION OF ANOTHER LARGE CITY AGENCY.

## INVESTIGATIONS DIVISION

### PERFORMANCE MEASURES

BEFORE I DISCUSS STATISTICAL HIGHLIGHTS, I NEED TO ADDRESS AN ISSUE REGARDING PERFORMANCE MEASURES AS THEY PERTAIN SPECIFICALLY TO THE INVESTIGATIONS DIVISION. IN CONDUCTING INVESTIGATIONS OUR PRIMARY GOAL IS TO FOLLOW THE EVIDENCE WHEREVER IT LEADS. AS A CONSEQUENCE, WE MUST BE MORE INTERESTED IN RESOLVING INVESTIGATIONS FAIRLY THAN IN ACHIEVING HIGHER STATISTICAL OUTPUT – EITHER IN TERMS OF THE NUMBER OF REPORTS ISSUED, CASES CLOSED, OR CONVICTIONS OBTAINED.

WE BELIEVE IT IS JUST AS IMPORTANT TO EXONERATE INDIVIDUALS FROM UNFOUNDED ALLEGATIONS AS IT IS TO GAIN CONVICTIONS. THIS COMMITMENT TO FAIRNESS IS ESPECIALLY IMPORTANT WHEN UNRESOLVED ALLEGATIONS OF MISCONDUCT BY HIGH LEVEL OFFICIALS THREATEN PUBLIC CONFIDENCE. IN SHORT, WE ARE MOST SATISFIED WHEN WE KNOW WE HAVE FULFILLED OUR OBLIGATION TO SERVE THE ENDS OF JUSTICE UNDER ALL CIRCUMSTANCES.

I MUST ALSO NOTE THAT BRINGING AN INVESTIGATION TO RESOLUTION QUICKLY OFTEN INVOLVES FACTORS BEYOND OUR CONTROL. MANY OF OUR CASES ARE INVESTIGATED JOINTLY WITH THE FBI OR OTHER FEDERAL AGENCIES, AND INVESTIGATIVE DECISIONS ARE SHARED WITH THOSE AGENCIES, SUBJECT TO THE POLICIES AND RESOURCES AVAILABLE TO ALL OF THE PARTICIPANTS IN THE INVESTIGATION. IN ADDITION, ONCE THE OFFICE OF THE U.S. ATTORNEY ACCEPTS A MATTER FOR PROSECUTION, THE PROSECUTOR ASSIGNED INFLUENCES THE PACE AND DIRECTION OF THE CASE.

THERE ARE OTHER PERFORMANCE MEASURES WHICH ARE SUBJECT TO FACTORS BEYOND OUR CONTROL. FOR EXAMPLE, WHEN I PROVIDE THE STATISTICS FOR

THE MEASURES OF INVESTIGATION MATTERS RECEIVED, MATTERS REFERRED, AND HOTLINE CALLS RECEIVED, I ALWAYS INCLUDE THE PROVISIO THAT WE DO NOT EXERT MANAGERIAL CONTROL OVER THESE MEASURES. THESE MEASURES DO, HOWEVER, REFLECT THE WORKLOAD OF OUR INVESTIGATORS, AND THEY ASSIST OUR OWN STRATEGIC PLANNING.

NOTWITHSTANDING THESE FACTORS, I AM PLEASED TO SAY THAT WE MET EXPECTATATIONS FOR ALL PERFORMANCE MEASURES REGARDING ABATEMENT OF PUBLIC CORRUPTION AND FRAUD IN DISTRICT AGENCIES.

CHIEF AMONG OUR ACCOMPLISHMENTS IS THE REALIZATION OF \$992,000 IN FINES, RECOVERIES, AND RESTITUTIONS.

SOME OF OUR HIGHLIGHTS REGARDING CRIMINAL CONVICTIONS IN FY 2002 INCLUDE THE FOLLOWING:

- A FORMER GENERAL COUNSEL, OCFO, WAS CONVICTED OF FIRST DEGREE FRAUD AND MAIL FRAUD, RESULTING IN A SENTENCE OF IMPRISONMENT AND SUBSTANTIAL RESTITUTION;
- THE FORMER EXECUTIVE DIRECTOR OF DCCS WAS CONVICTED OF WIRE FRAUD IN CONNECTION WITH A \$350,000 EMBEZZLEMENT SCHEME; AND,
- FOUR INDIVIDUALS WERE CONVICTED OF FIRST DEGREE THEFT FOR UNLAWFULLY RECEIVING OVER \$54,000 IN UNEMPLOYMENT BENEFITS THROUGH THE DEPARTMENT OF EMPLOYMENT SERVICES.

OTHER INVESTIGATIONS DURING THE PAST FISCAL YEAR RESULTED IN THE CONVICTIONS OF:

- A DEPARTMENT OF CORRECTIONS EMPLOYEE FOR THE THEFT OF DISTRICT GOVERNMENT PROPERTY AT THE CENTRAL WAREHOUSE IN LORTON, VIRGINIA;

- A FORMER EMPLOYEE OF THE D.C. PUBLIC SCHOOLS FOR WRITING CHECKS FROM THE DIRECT ACTIVITY PURCHASE SYSTEM (DAPS) TO PURCHASE MERCHANDISE FOR HIMSELF;
- A FORMER EMPLOYEE OF THE COMMISSION ON MENTAL HEALTH SERVICES FOR OBTAINING WAGES FOR A PERIOD OF MILITARY TRAINING THE EMPLOYEE DID NOT ATTEND;
- A DMV EMPLOYEE FOR STEALING DISTRICT LICENSE PLATES AND VALIDATION STICKERS;
- A FORMER EMPLOYEE OF THE OFFICE OF FINANCE AND TREASURY, OCFO, FOR TRANSFERRING FUNDS FROM A DISTRICT CUSTODIAL ACCOUNT INTO A PERSONAL BANK ACCOUNT; AND
- A CONTRACT EMPLOYEE FOR THE THEFT OF COMPUTER EQUIPMENT FROM THE OFFICE OF THE RECORDER OF DEEDS.

SOME OF OUR INVESTIGATIONS DID NOT RESULT IN CONVICTIONS, BUT WERE NEVERTHELESS SIGNIFICANT BECAUSE OF INVESTIGATIVE FINDINGS AND RECOMMENDATIONS, MANY OF WHICH HAVE A SIGNIFICANT DETERRENT VALUE.

FOR EXAMPLE, WE INVESTIGATED WHETHER A PROMOTIONAL TEST AT THE FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT (FEMS) WAS COMPROMISED, AND WE CONDUCTED A COMPREHENSIVE REVIEW OF THE TOWING OPERATIONS AND PROCEDURES FOR CRANES AND PRIVATE TOW COMPANIES IN THE DISTRICT.

IN ADDITION, OUR INVESTIGATIONS RESOLVED THE ISSUES OF WHETHER THE FORMER FEMS CHIEF SUBMITTED FALSE INFORMATION ON HIS RESUME WHEN HE APPLIED FOR THE POSITION, AND WHETHER A DISTRICT GOVERNMENT MANAGER IMPROPERLY WARNED NEWLY HIRED FEMALE EMERGENCY MEDICAL TECHNICIANS NOT TO BECOME PREGNANT DURING THEIR FIRST YEAR OF EMPLOYMENT.

AND FINALLY, AN OIG INVESTIGATION RESULTED IN A 23-COUNT INDICTMENT OF THE OWNER OF A BUSINESS FOR WIRE FRAUD AND FOR CONSPIRING TO BRIBE A DISTRICT GOVERNMENT OFFICIAL. AS A RESULT, OVER THREE MILLION DOLLARS IN CASH AND PROPERTY WERE SEIZED IN CRIMINAL FORFEITURE ACTIONS. THE DEFENDANT REMAINS A FUGITIVE IN ANOTHER COUNTRY.

FOR FY 03, I HAVE INCLUDED TWO ADDITIONAL PERFORMANCE MEASURES FOR THE DIVISION: CRIMINAL CONVICTIONS, AND FINES RECOVERIES AND RESTITUTIONS. THESE MEASURES CAPTURE THE RESULTS OF THE CRIMINAL INVESTIGATIONS THAT REQUIRE A MAJOR PORTION OF THE DIVISION'S RESOURCES. INDEED, OUR STATISTICS IN THESE CATEGORIES HAVE BEEN IMPRESSIVE IN THE PAST. IN THE PREVIOUS THREE FISCAL YEARS OUR INVESTIGATIONS HAVE RESULTED IN RESTITUTIONS AND RECOVERIES OF OVER 4 MILLION DOLLARS. IN THE SAME THREE FISCAL YEARS OUR CASES RESULTED IN 29 CRIMINAL CONVICTIONS.

#### MEDICAID FRAUD CONTROL UNIT

FY 2002 MARKED THE THIRD YEAR OF EXISTENCE FOR THE MEDICAID FRAUD CONTROL UNIT (MFCU), WHICH IS THE NEWEST OF THE FOUR DIVISIONS WITHIN THE OIG. THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES CERTIFIED THE UNIT ON MARCH 1, 2000, AND FY 2002 WAS THE SECOND YEAR IN WHICH THE UNIT WAS FULLY STAFFED AND COMPLETELY OPERATIONAL. SEVENTY-FIVE PERCENT OF THE COST OF OPERATING THE UNIT IS FEDERALLY FUNDED, WITH DISTRICT FUNDS PAYING FOR THE REST.

AS YOU KNOW, THE UNIT'S MISSION IS TO INVESTIGATE AND PROSECUTE CASES OF FRAUD AND ABUSE WITHIN THE MEDICAID PROGRAM FOR THE DISTRICT OF COLUMBIA. HEADED BY A DIRECTOR, THE 16 MEMBERS OF THE UNIT BRING A

VARIETY OF SKILLS AND EXPERIENCES TO THE TASK. AN ESSENTIAL REQUIREMENT FOR MEMBERS OF THE UNIT IS A HEALTH-CARE INDUSTRY BACKGROUND, INCLUDING KNOWLEDGE OF HOSPITAL BILLING, HEALTH-CARE ACCOUNTING, AND INSURANCE EXPERIENCE. THE UNIT IS ORGANIZED IN A STRIKE FORCE FASHION WITH PROSECUTORS LEADING TEAMS COMPOSED OF INVESTIGATORS AND AUDITORS. THIS METHOD OF ORGANIZATION PRESENTS SIGNIFICANT ADVANTAGES, IN THAT ATTORNEYS ARE ABLE TO PROVIDE LEGAL ANALYSIS FROM THE VERY BEGINNING OF EACH CASE AND, IN TURN, PROSECUTORS ARE FAMILIAR WITH THE CASE LONG BEFORE IT RESULTS IN LITIGATION.

#### PERFORMANCE MEASURES

THE MFCU CONCENTRATES MOST OF ITS RESOURCES ON FERRETING OUT FINANCIAL FRAUD AGAINST THE MEDICAID PROGRAM. A SECOND IMPORTANT AREA IS THE ABUSE OR NEGLECT OF PATIENTS IN MEDICAID-FUNDED NURSING HOMES AND OTHER INSTITUTIONAL SETTINGS OR BOARD AND CARE FACILITIES. ACCORDINGLY, ONE MFCU PERFORMANCE MEASURE REVOLVES AROUND THE NUMBER OF FRAUD CASES INITIATED AND ANOTHER DEALS WITH REPORTS OF UNUSUAL INCIDENTS RESULTING IN INJURY OR ILLNESS TO A WARD OR RESIDENT OF A NURSING HOME, COMMUNITY RESIDENCE FACILITY, OR GROUP HOME FOR PERSONS WITH MENTAL RETARDATION. COMPLEMENTING THESE ARE ADDITIONAL MEASURES THAT TRACK MFCU REPORTS AND THE AMOUNT OF FUNDS RECOVERED, INCLUDING DAMAGES ASSESSED, PENALTIES IMPOSED, AND OVERPAYMENTS RECOUPED.

AS PREVIOUSLY NOTED, STATISTICS DO NOT CONVEY THE RANGE OF EFFORTS THAT REAP BENEFITS TO THE COMMUNITY IN COMBATING HEALTHCARE FRAUD AND ABUSE. THEREFORE, I WILL PROVIDE ANECDOTAL AND OTHER EVIDENCE OF OUR OUTREACH AND PREVENTATIVE INITIATIVES THAT SUPPLEMENT EACH PERFORMANCE MEASURE.



## FRAUD CASES INITIATED

CURRENTLY, WE HAVE APPROXIMATELY 40 FRAUD CASES, INCLUDING 30 MATTERS THAT WERE OPENED DURING FY 2002. THESE INVOLVE ALLEGATIONS OF FRAUD RELATING TO A BROAD VARIETY OF HEALTH CARE PROVIDERS, RANGING FROM NATIONALLY KNOWN INSTITUTIONS TO SOLO PRACTITIONERS. MEDICAL SPECIALISTS INVOLVED IN OUR CASES INCLUDE PHYSICIANS, DENTISTS, PHARMACIES, MEDICAL EQUIPMENT SUPPLIERS, MENTAL HEALTH CLINICS, NURSING HOMES, AND TRANSPORTATION PROVIDERS.

INVESTIGATIONS CAN LEAD TO THE FILING OF CRIMINAL, CIVIL, AND/OR ADMINISTRATIVE CHARGES. IN FACT, WHENEVER APPROPRIATE, WE CONSIDER THE POSSIBILITY OF SIMULTANEOUSLY WORKING A CASE ON PARALLEL CRIMINAL, CIVIL, AND/OR ADMINISTRATIVE TRACKS. IN THIS WAY, WE CAN OBTAIN THE POWERFUL DETERRENT EFFECT THAT COMES WITH CRIMINAL CONVICTIONS, AND ALSO MAXIMIZE OUR POTENTIAL FOR RECOVERING FUNDS TAKEN FROM THE MEDICAID PROGRAM.

IN ADDITION TO INITIATING CASES, THE UNIT HAS ENGAGED IN ANTI-FRAUD EDUCATIONAL AND OUTREACH PRESENTATIONS IN THE PRIVATE SECTOR. WE HAVE SPOKEN TO HEALTH-CARE INDUSTRY AND SENIOR CITIZEN GROUPS THROUGHOUT THE DISTRICT TO INTRODUCE OUR UNIT, MAKE FORMAL PRESENTATIONS, AND ANSWER QUESTIONS. MOREOVER, WE WORK CLOSELY WITH INDUSTRY GROUPS ON PROBLEMS OF MUTUAL CONCERN.

ONE NOTABLE EXAMPLE IS OUR EFFORT IN THE AREA OF OXYCONTIN ABUSE. THIS HIGHLY ADDICTIVE DRUG IS OFTEN DIVERTED FROM LEGAL CHANNELS AND SOLD ON OUR NATION'S STREETS. FURTHERMORE, DRUG DEALERS CONSPIRE WITH CORRUPT MEDICAL PROFESSIONALS TO FILE FALSE MEDICAID CLAIMS TO FINANCE THE DRUG TRADE. IN OTHER CASES, INDIVIDUALS TAKE ADVANTAGE OF UNSUSPECTING PROFESSIONALS TO OBTAIN UNNEEDED

PRESCRIPTIONS FOR THE DRUGS, WHICH ARE EVENTUALLY SOLD ON THE STREET. EITHER WAY, SOCIETY MAY PAY TWICE FOR THIS PROBLEM—THROUGH HIGHER MEDICAID COSTS AND THE ADDED BURDEN OF INCREASED ADDICTION RATES. THE DISTRICT’S STATISTICS INDICATE THAT WE HAVE NOT YET BEEN AS HARD HIT BY THIS PROBLEM AS SOME OF OUR NEIGHBORS. THEREFORE, THE UNIT HAS TAKEN A PROACTIVE APPROACH TO FORESTALL FUTURE PROBLEMS. WE HAVE REACHED OUT TO THE MEDICAL SOCIETY OF THE DISTRICT OF COLUMBIA (MSDC) THROUGH A LETTER INFORMING MSDC OF THIS POTENTIAL PROBLEM AND EXPRESSING THE DESIRE TO WORK TOGETHER. OUR LETTER WAS RECEIVED WITH ENTHUSIASTIC COOPERATION; IN FACT, THE BULK OF IT WAS REPRINTED IN THE MSDC NEWSLETTER AND CIRCULATED TO PHYSICIANS THROUGHOUT THE DISTRICT.

#### RECOVERED FUNDS

ONE INDICATOR OF THE POSITIVE STANDING OF THE MFCU IN THE HEALTH CARE COMMUNITY IS THE FACT THAT IT WAS THE ONLY STATE AGENCY INVITED TO PRESENT TESTIMONY AT A CONGRESSIONAL HEARING ON PROBLEMS IN THE MEDICAID PROGRAM. I TESTIFIED, ALONG WITH THE UNIT DIRECTOR, AT THE HEARING ENTITLED “MEDICAID CLAIMS: WHO’S WATCHING THE MONEY” BEFORE THE SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND INTERGOVERNMENTAL RELATIONS, OF THE HOUSE COMMITTEE ON GOVERNMENT REFORM. THE TESTIMONY STRESSED THAT MANY OF THE INNOVATIVE APPROACHES WE ARE IMPLEMENTING HERE IN THE DISTRICT MAY BE APPLIED NATIONWIDE. IN PARTICULAR, OUR LOCAL/FEDERAL PARTNERSHIP FOR PROSECUTION AND OUR EMPHASIS ON SIMULTANEOUSLY EXPLORING CRIMINAL, CIVIL, AND ADMINISTRATIVE ASPECTS OF CASES WERE DESCRIBED TO THE COMMITTEE.

A VERY IMPORTANT ASPECT OF THE UNIT’S INVOLVEMENT IN NATIONAL HEALTH-CARE FRAUD ACTIVITIES IS OUR PARTICIPATION IN GLOBAL

SETTLEMENTS. ON OCCASION, HEALTH-CARE PROVIDERS ENGAGE IN SIMILAR FRAUDULENT ACTIVITIES AND SCHEMES IN MULTIPLE STATES. THE UNIT HAS JOINED WITH OTHER MFCUS, UNDER THE AUSPICES OF THE NATIONAL ASSOCIATION OF MFCUs, TO INVESTIGATE AND RESOLVE CASES OF THIS NATURE. THE USE OF MULTI-STATE TEAMS REPRESENTING THE INTERESTS OF ALL AGGRIEVED STATES ALLOWS THE DISTRICT TO RECOUP MONIES WITHOUT EACH STATE DUPLICATING THE EFFORTS OF THE OTHERS. IN FY 2002, THE UNIT RECOVERED SETTLEMENTS OF OVER \$300,000. JUST LAST MONTH, THE MFCU PARTICIPATED IN ANOTHER MAJOR SETTLEMENT. PFIZER, THE WORLD'S LARGEST DRUG COMPANY, AGREED TO SETTLE ALLEGATIONS THAT IT HAD FAILED TO PROVIDE MEDICAID WITH THE BEST PRICE FOR LIPITOR, AS IT WAS REQUIRED TO DO UNDER MEDICAID PRICING RULES. INSTEAD IT GAVE HIDDEN DISCOUNTS TO VARIOUS HMOS THAT IT DID NOT REPORT TO MEDICAID. IT AGREED TO PAY \$108,000 TO COMPENSATE FOR LOSSES TO THE DISTRICT'S MEDICAID PROGRAM.

THIS IS A PRIME EXAMPLE OF THE SORT OF OPPORTUNITY THE DISTRICT OFTEN OVERLOOKED BEFORE THE CREATION OF THE MFCU. THE UNIT CONTINUES TO PARTICIPATE IN SEVERAL GLOBAL SETTLEMENT NEGOTIATIONS AND ANTICIPATES RECEIVING SIGNIFICANT ADDITIONAL MONETARY SETTLEMENTS IN FY 2003.

#### PATIENT ABUSE

ANOTHER VITAL ASPECT OF THE MFCU IS THE WORK DONE IN THE AREA OF PATIENT ABUSE. LIKE MANY OTHER STATISTICS, STATISTICS FOR UNUSUAL INCIDENTS PROVED DIFFICULT TO PREDICT. FOR EXAMPLE, IN FY 2001, WE ADDRESSED 2805 UNUSUAL INCIDENTS. THIS WAS FAR IN EXCESS OF THE 600 TARGETED, AND WAS LARGELY A RESULT OF NEW LEGISLATION PASSED BY THIS COUNCIL. FOR FY 02, THERE WERE 816 UNUSUAL INCIDENCES REPORTED,

COMPARED TO THE TARGET OF 600. WE WILL CONTINUE TO MONITOR TRENDS TO BETTER ESTIMATE FUTURE PERFORMANCE IN THIS AREA.

IN ANOTHER EXAMPLE, ON DECEMBER 14, 2001, WE OBTAINED THE CONVICTION OF WINFRED LEE ON AN ASSAULT CHARGE. DEFENDANT LEE WAS A CAREGIVER IN A GROUP HOME FOR THE MENTALLY RETARDED AND BEAT A BLIND RESIDENT UNDER HIS CARE WITH A CURTAIN ROD. HE WAS SENTENCED TO 180 DAYS IMPRISONMENT (ALL BUT 120 SUSPENDED). SIMILARLY, IN *UNITED STATES V. ROBINSON*, THE UNIT OBTAINED THE ASSAULT CONVICTION OF ANOTHER CAREGIVER IN A GROUP HOME FOR THE MENTALLY RETARDED. IN THAT CASE, THE DEFENDANT SLAMMED A RESIDENT ONTO THE FLOOR, RESULTING IN INJURIES REQUIRING EMERGENCY CARE. HE WAS SENTENCED TO 180 DAYS IMPRISONMENT (ALL BUT 45 SUSPENDED).

#### REPORTS ISSUED

THE LAST OF THE MFCU PERFORMANCE MEASURES CONCERNS REPORTS ISSUED. THE BULK OF THESE REPORTS PERTAIN TO INDIVIDUAL CASES OF FRAUD OR ABUSE, AND ARE GENERALLY PROVIDED TO THE UNITED STATES ATTORNEY'S OFFICE ON A CONFIDENTIAL BASIS. HOWEVER, IN ADDITION TO WORKING ON INDIVIDUAL CASES, WHENEVER APPROPRIATE, THE MFCU CONTRIBUTES TO THE DISTRICT'S FINANCIAL INTEGRITY BY HIGHLIGHTING SYSTEMIC WEAKNESSES. IN THIS REGARD, THE MFCU PERIODICALLY ISSUES MANAGEMENT ALERT REPORTS (MARS) TO DISTRICT AGENCIES. THESE ARE BASED ON POTENTIAL PROBLEMS IN THE DISTRICT GOVERNMENT AS VIEWED FROM THE PERSPECTIVE OF THE MFCU. THE UNIT ISSUED TWO MARS IN FY 2002.

THE PACE WITH WHICH THE MFCU INVESTIGATES CASES IS GAINING MOMENTUM AND I BELIEVE WE HAVE BUILT A STRONG FOUNDATION FOR FUTURE SUCCESS.

THANK YOU FOR THIS OPPORTUNITY TO INFORM YOU ABOUT OUR  
PERFORMANCE. I WILL BE HAPPY TO RESPOND TO YOUR QUESTIONS AT THIS  
TIME.